



INDUSTRY CIRCULAR

DEPARTMENT OF
THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

Washington, D.C. 20226

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REMOVAL OF TAX-EXEMPT TOBACCO PRODUCTS FOR USE AS SUPPLIES ON UNITED STATES NAVY VESSELS

Proprietors of Export Warehouses,
Manufacturers of Tobacco Products
and Others Concerned:

Purpose. This circular is to advise industry members that an ATF Procedure will be published in an early issue of the ATF Bulletin. The procedure will read substantially as follows:

Background. 26 U.S.C. 5704 provides that manufacturers of tobacco products and proprietors of export warehouses may remove tobacco articles, without payment of tax, for consumption beyond the jurisdiction of the internal revenue laws of the United States. Regulations in 26 CFR 290.64, 290.195, and 290.206 provide that manufacturers of tobacco products and proprietors of export warehouses are responsible for delivery of tax-exempt tobacco products to United States Navy vessels and are liable for the tax on tobacco products until they furnish to the Regional Director, Bureau of Alcohol, Tobacco and Firearms, satisfactory evidence of proper delivery.

The Department of the Navy procurement procedures provide that United States Navy vessels may procure tax-exempt tobacco products only when under orders to proceed beyond the jurisdiction of the internal revenue laws of the United States (3-mile limit) and that the Navy procurement document must contain a certificate to that effect, signed by the Commanding Officer.

Recently the Navy proposed that supply officers aboard some of the larger Naval vessels be authorized to execute this exemption certificate as well as the Commanding Officer.

New Procedure. Consistent with this change in Navy procurement authority, proprietors may in the future accept certification of the Commanding Officer or the supply officer for procurement of tax-exempt tobacco products for the following classes of U.S. Naval vessels:

<u>Class of Vessel</u>	<u>Code Designation</u>
Guided Missile Cruisers (nuclear propulsion)	CGN
Guided Missile Light Cruisers	CLG
Amphibious Transport Docks	LPD
Amphibious Assault Ships	LPH
Attack Aircraft Carriers	CVA
Attack Aircraft Carriers (nuclear propulsion)	CVAN
Submarine Tenders	AS
Guided Missile Frigates	DLG
Guided Missile Frigates (nuclear propulsion)	DLGN
Fast Combat Support Ships	AOE
Replenishment Ships	AOR
Training Aircraft Carriers	CVT
Amphibious Assault Ships	LHA
Combat Stores Ships	AFS
Store Ships	AF
Amphibious Command Ships	LCC
Destroyer Tenders	AD
Hospital Ships	AH
Heavy Cruisers	CA
Cruisers, Guided Missile	CG
Auxiliary Repair Ships	AR
Amphibious Transport Ships	LPA
Repair Ships	AR

For all other classes of vessels only the Commanding Officer's certification is acceptable as a basis for your delivery of tax-exempt tobacco products. The proper certification is as follows:

These tobacco products will be held as sea stores for issue and consumption outside the three-mile limits of the United States.

Commanding Officer (or Supply Officer
of a vessel listed above)

Retention of Procurement Documents. You should retain procurement documents as part of your records to evidence the propriety of the removal and to permit later verification by officers of the Bureau.

Inquiries. Inquiries concerning this circular should refer to its number and be addressed to the office of the appropriate Regional Director, Bureau of Alcohol, Tobacco and Firearms.

A handwritten signature in cursive script, reading "Rex D. Davis".

REX D. DAVIS
Director